93-283

Supreme Court, U.S.
FILED
SEP 23 1993
OFFICE OF THE CLERK

No. ~~93-3058~~

In the Supreme Court of the United States

OCTOBER TERM, 1993

FONAR CORPORATION,

Petitioner,

-against-

DECCAID SERVICES, INC., STEPHEN STECKLER, PETER KIM, LOUIS TREGLIA, MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH and MORTON MACKOF,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

Patricia M. Meilsenheimer
Counsel of Record
James M. Furey, Jr.
FUREY, FUREY, LAPPING,
DEMARIA & PETROZZO, P.C.
Attorneys for Respondents
Deccaid Services, Inc., Stephen Steckler,
Luigi Treglia s/h/a Louis Treglia
and *Peter Kim*
600 Front Street—P.O. Box 750
Hempstead, New York 11550-4494
(516) 538-2500

-- List of Attorneys continued on inside front cover —

Virgil Mountain, Inc. (212) 779-4046 (L2520)

Of Counsel:

Richard O'Callaghan
CONGDON, FLAHERTY, O'CALLAGHAN,
REID, DONLON, TRAVIS & FISHLINGER
Attorneys for Respondent
Medical Funding of America, Inc.
377 Oak Street
Garden City, New York 11530
(516) 542-5900

CARL M. BORNSTEIN
Attorney for Respondent Morton Mackof
One Madison Avenue
New York, New York 10010
(212) 686-0800

Paul J. Hanly, Jr.
COBLENCE & WARNER
Attorneys for Respondent David Smith
1370 Avenue of the Americas
New York, New York 10019
(212) 957-9700

Virginia R. Richard
KANE, DALSIMER, SULLIVAN, KURUCZ,
LEVY, EISELE and RICHARD
Additional Counsel for Respondent
Deccaid Services, Inc.
711 Third Avenue
New York, New York 10017
(212) 687-6000

QUESTIONS PRESENTED

1. Whether the absence of an order of the Court of Appeals directing an answer to a petition for writ of mandamus is reversible error, when the respondent to the petition had opportunities to argue the subject matter of the scope of the confidentiality order at issue to the Second Circuit both before and after the issuance of the writ modifying the confidentiality order.

2. Whether a court of appeals may issue a writ of mandamus to compel a district court to follow a suggestion of the Court of Appeals made to the district court in a prior appellate decision.

3. Whether the facts and circumstances of the issuance of the district court's order of May 11, 1993, warranted the issuance of a writ of mandamus by the Court of Appeals.

4. Whether the petitioner's failure to raise noncompliance with Federal Rule of Appellate Procedure 21(b) and denial of due process to the Court of Appeals should preclude review of those issues by this Court.

THIS PAGE
INTENTIONALLY
LEFT BLANK

TABLE OF CONTENTS

Page

Questions Presented i

Table of Authorities iv

Statement of Facts 1

Reasons for Denying Petition for a Writ of Certiorari 7

Summary of Arguments 8

I. THE PETITION DOES NOT PRESENT ANY CONSIDERATIONS WARRANTING REVIEW ON WRIT OF CERTIORARI 9

A. THE ABSENCE OF AN ORDER BY THE SECOND CIRCUIT DIRECTING FONAR TO ANSWER THE PETITION FOR WRIT OF MANDAMUS DOES NOT WARRANT REVIEW BY WRIT OF CERTIORARI 10

B. THE WRIT OF MANDAMUS WOULD HAVE PROPERLY ISSUED EVEN WITH FONAR'S ANSWER 12

II. PETITIONER'S FAILURE TO RAISE NON-COMPLIANCE WITH FEDERAL RULE OF APPELLATE PROCEDURE 21(b) AND DENIAL OF DUE PROCESS TO THE COURT OF APPEALS SHOULD PRECLUDE REVIEW OF THOSE ISSUES BY THIS COURT 16

TABLE OF CONTENTS

Page

Conclusion 18

Appendix A—Decision of the United States Court of Appeals for the Second Circuit, decided January 11, 1993 (vacating and remanding district court's preliminary injunction and order of contempt and dismissing the appeal from the district court's protective order) A1

Appendix B—Order of the Honorable Leonard D. Wexler, Judge of the United States District Court for the Eastern District of New York, Dated February 25, 1992 ..... A9

Appendix C—Transcript of Argument before the United States Court of Appeals on October 5, 1992 ..... A11

Appendix D—Portions of Brief of Appellants Deccaid Services, Inc., Steven Steckler, Louis Treglia and Peter Kim, to the United States Court of Appeals for the Second Circuit A38

TABLE OF AUTHORITIES

Page

Cases Cited:

Armstrong v. Manzo, 380 U.S. 545, 552, 85 S. Ct. 1187, 14 L.Ed.2d 62 (1965) 11

Bridge C.A.T. Scan Associates v. Technicare, 710 F.2d 940 (2d Cir. 1983) 13, 15

Browning-Ferris Industries v. Kelco Disposal, Inc., 492 U.S. 257, 109 S. Ct. 2909, 106 L.Ed.2d 219 (1989) 17

Deen v. Hickman, 358 U.S. 57, 79 S. Ct. 1, 3 L.Ed.2d 28 (1968) 13

DeShaney v. Winnebago County Department of Social Services, 489 U.S. 187, 109 S. Ct. 998, 103 L.Ed.2d 249 (1989) 17

Ex Parte DuBuque and Pacific Railroad, 1 Wall 69, 17 L.Ed. 514 (1863) 13

Fonar Corp. v. Deccaid Services, Inc., 983 F.2d 427 (2d Cir. 1993) 3, 12-13

International Products Corp. v. Koons, 325 F.2d 403 (2d Cir. 1963) 13

Johnson v. U.S., 805 F.2d 1284, 1289-90 (7th Cir. 1986), *reh'g and reh'g en banc denied* (1987) 11

Oswald v. McGarr, 620 F.2d 1190 (7th Cir. 1980), *reh'g denied* (1980) 14, 16

TABLE OF AUTHORITIES

Page

United States v. Williams, ___ U.S. ___, 112 S. Ct. 1735, 118 L.Ed.2d 352 (1992) 17

Yablonski v. United Mine Workers of America, 454 F.2d 1036 (D.C. Cir. 1971), *cert. denied*, 406 U.S. 906, 92 S. Ct. 1609, 31 L.Ed.2d 816 (1972) 14

Statutes, Rules and Regulations

28 U.S.C. 1651 (1993) 14

F.R.A.P. 21(b) 6-9, 11, 16-17

No. 93-3058

In the Supreme Court of the United States
OCTOBER TERM, 1993

FONAR CORPORATION,
Petitioner,

-against-

DECCAID SERVICES, INC., STEPHEN STECKLER, PETER KIM, LOUIS TREGLIA, MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH and MORTON MACKOF,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

STATEMENT OF FACTS

This action was brought by Fonar Corporation ("Fonar") against Deccaid Services, Inc. ("Deccaid")[1], Stephen Steckler ("Steckler"), Luigi Treglia s/h/a Louis Treglia ("Treglia"), Peter Kim ("Kim"), Medical Funding of America, Inc. ("Medical Funding")[2], David Smith ("Smith") and Morton Mackof

1 Deccaid Services, Inc. has no parent companies or subsidiaries.

2 Medical Funding of America, Inc. has no parent companies or subsidiaries.

("Mackof") (collectively, the "Respondents"). Fonar manufactures and services magnetic resonance imaging equipment ("MRIs"). Deccaid is an independent service organization which services medical diagnostic imaging equipment, including MRIs. Deccaid serviced Fonar MRIs prior to November 1, 1991. Steckler, Treglia and Kim were former Fonar employees employed by Deccaid at the time of the incidents complained of. Smith is a former employee of Fonar and was employed by Medical Funding at the time of the incidents complained of. Mackof was employed by Medical Funding until February 15, 1991, and had previously been employed by Fonar until early 1986.

Fonar brought this action seeking interim and permanent injunctive relief and money damages against the Respondents on the grounds of copyright infringement arising from the alleged use of Fonar's software, servicing of Fonar MRIs, and violation of Fonar's alleged trade secrets in its software and schematic drawings.

Fonar's petition to this Court relates to a writ of mandamus granted by the Second Circuit Court of Appeals which modified a confidentiality order issued by the district court. The confidentiality order intended to govern production of all documents designated as confidential by Fonar. These documents included all versions of Fonar's software and schematics.

Fonar claims that its software is copyrighted, and that both its software and schematics contain trade secrets. The Respondents contend that Fonar's software has entered the public domain through

publication prior to 1989 without the proper statutory copyright notice or is otherwise an unprotectable compilation of previously published material which has entered the public domain and that neither the software nor the schematics are secret. The second Circuit Court of Appeals, in deciding an appeal in this case some six months prior to issuance of its writ of mandamus, openly questioned Fonar's allegations of secrecy regarding its software and schematics. *Fonar v. Deccaid*, 983 F.2d 427 (2d Cir. 1993). (See Appendix A herein at page A1.)[3]

At the commencement of this litigation, Fonar sought and obtained a temporary restraining order against the Respondents. On March 9, 1992, Fonar obtained a preliminary injunction against all Respondents other than Mackof, as to whom the Complaint was dismissed insofar as it sought injunctive relief. Thereafter, Fonar sought and obtained an order of contempt against Deccaid, Steckler, Treglia and Kim claiming that Respondents continued to use Fonar's software in violation of the temporary restraining order. Fonar was ordered to produce its software to the court and to the defendants. Fonar then sought a confidentiality order governing production of its software and schematics. The district court issued Fonar's proposed order unchanged on February 25, 1992 (hereinafter the "First Confidentiality Order") (Appendix B, A9).

The injunction, contempt order and First Confidentiality Order were the subject of an appeal to the Second Circuit. The issues relating to the scope and propriety of the First Confidentiality Order were fully

---

[3] References to the Appendices shall hereinafter bear the prefix "A".

briefed by both parties. In a decision reported at 983 F.2d 427, the Second Circuit declined to review the First Confidentiality Order. However, it suggested that in light of the Respondents' allegations regarding the non-secret status of Fonar's documents, the district court should reconsider that order. (The allegations made by the defendants were set forth in Deccaid's brief to the Second Circuit. See Appendix D at A38.) In commenting on the First Confidentiality Order, the Court of Appeals specifically referred to its power to issue a writ of mandamus, and cited two cases stating in substance that the Second Circuit will issue writs of mandamus to compel district courts to follow "suggestions of the Court of Appeals" if the district courts fail to follow them voluntarily.

Fonar refers to the appeal preceding the petition for writ of mandamus in its petition, but omits reference to the Second Circuit's treatment of the First Confidentiality Order. Respondents believe that the subsequent failure of the district court to follow the Court of Appeals' suggestion to reconsider the First Confidentiality Order on less restrictive terms is an important fact which has bearing on the question of the issues before this Court if certiorari were granted.

The Court of Appeals also criticized Fonar for failing to produce its software in violation of the district court's orders, and noted that this non-production lay at the heart of its decision to vacate the injunction and contempt orders. As the software was not in evidence, there was no way for the Court of Appeals to rule on the issues of copyrightability of infringement let alone contempt. See Transcript of

Oral Argument, Appendix C (A11); Second Circuit's decision of January 11, 1993, (A1).

After the Second Circuit's decision, the Respondents moved for contempt for Fonar's continuing refusal to produce its software in violation of prior district court orders. Fonar opposed by claiming it was inadequately protected by the First Confidentiality Order, and stated it would produce the software if the Court signed an additional, more restrictive, confidentiality order. The district court adopted Fonar's proposed new order in its entirety on May 11, 1993, and further ordered that jury selection would commence on July 2, 1993.

The First Confidentiality Order issued on February 25, 1992, was limited to software and schematics, and it bore a single significant limitation—that the Respondents were ordered to use neither software nor schematics except in connection with this litigation.

The Second Confidentiality Order of May 11, 1993 is substantially more burdensome than the First Confidentiality Order. The Second Order is not limited to software and schematics; Fonar can designate anything as "specially confidential." The Second Order restricts disclosure to certain classes of persons; the First Order did not. The Second Order prohibits disclosure to persons in the medical diagnostic imaging field—the very class of persons with knowledge and experience to assist the Respondents in preparation of their case; the First Order contained no such restriction. The Second Order prohibits disclosure to anyone not identified to Fonar and allows Fonar the right to object to the persons to whom

disclosure will be made; the First Order contained no such restriction. The Second Order is directly contrary to the Second Circuit's suggestion to the district court that it modify the First Confidentiality Order to make it less restrictive.

Upon entry of the Second Confidentiality Order, Respondents petitioned the Second Circuit Court of Appeals for a writ of mandamus. The Second Circuit had already entertained briefs and oral arguments encompassing the issue of the scope and propriety of the First Confidentiality Order. In that petition, the Second Circuit was presented with the May 11, 1993 Second Order which was clearly more onerous and restrictive than the First Confidentiality Order which the Second Circuit had already indicated was too restrictive. The Second Circuit granted the writ of mandamus without permitting Fonar to present an answer to the petition.

Fonar had previously presented extensive arguments to the Second Circuit on the propriety and scope of the First Order on the prior appeal. Fonar moved for its reconsideration of the writ of mandamus on June 16, 1993. It is significant that Fonar failed to argue on its motion that the Court of Appeals had failed to comply with F.R.A.P. 21(b) nor did it raise the due process arguments which it has made here. These claims are raised by Fonar for the first time in its petition for writ of certiorari. Fonar's motion for reconsideration was denied without opinion on July 14, 1993.

Finally, although Fonar was not permitted to answer the petition for a writ of mandamus, Fonar opposed a motion to the Second Circuit by the

Respondents to stay the trial. That motion was returnable on the same day as the petition for a writ of mandamus, and was decided in the same order that decided the petition for a writ of mandamus. Fonar indirectly addressed the issues relating to the Second Confidentiality Order in opposition to the motion to stay the trial date.

REASONS FOR DENYING PETITION FOR A WRIT OF CERTIORARI

1. The case presents no special or important reasons which warrant the issuance of the writ.

2. The absence of an order from the Second Circuit directing Fonar to answer the petition for a writ of mandamus did not deprive Fonar of due process; Fonar had been previously afforded opportunities to be heard on the issues disposed of in the writ of mandamus.

3. The issuance of the writ of mandamus by the Second Circuit was an appropriate exercise of its power to use the writ in the aid of its jurisdiction over a district court which failed to implement the Court of Appeals' direction in a prior appeal in the same case and which exceeded its power in issuing the order challenged by the petition for a writ of mandamus.

4. Fonar failed to raise the issue of the Court of Appeals' failure to comply with F.R.A.P. 21(b) and due process requirements of the Constitution in its motion for reconsideration before the Court of Appeals.

SUMMARY OF ARGUMENTS

There are no special or important reasons warranting the issuance of a writ of certiorari by this Court. Fonar was given a meaningful opportunity to argue the merits of the First Confidentiality Order to the Second Circuit in briefs and oral arguments on an appeal encompassing the propriety of the February 25, 1992 confidentiality order. Fonar argued the merits of the Second Confidentiality Order on its motion for reconsideration of the writ of mandamus but failed to raise the issue of the Court of Appeals' failure to comply with F.R.A.P. 21(b). Fonar was heard in substance. The failure of the Second Circuit to direct that a reply to the petition for mandamus be filed does not constitute a denial of due process in light of Fonar's earlier opportunity to brief the same issues to the same court on a prior appeal nor does it justify reversal of the Second Circuit's order.

The issuance of the writ of mandamus by the Second Circuit Court of Appeals was entirely consistent with the law expounded by this Court and the Court of Appeals. The district court exceeded its authority by failing to implement a suggestion regarding reconsideration of the scope of the First Confidentiality Order which the Court of Appeals made in its decision on appeal preceding the petition for writ of mandamus. The Court of Appeals appropriately used the writ in the aid of its jurisdiction over the district court. Moreover, the issuance of the writ of mandamus under the particular facts of this case is consistent with the factors recited by this Court as warranting the extraordinary relief of a writ of mandamus.

Fonar could have given the Second Circuit an opportunity to address the claimed misapplication of Rule 21(b) and alleged denial of due process, if it chose to raise those claims in its motion for reconsideration. It did not. Fonar should be precluded from obtaining review on these grounds, because they are raised for the first time on this petition.

I.

THE PETITION DOES NOT PRESENT ANY CONSIDERATIONS WARRANTING REVIEW ON WRIT OF CERTIORARI.

Fonar urges two grounds for review: one is procedural and the other is substantive. Fonar argues that the absence of an order by the Second Circuit directing it to answer the Respondents' petition for a writ of mandamus is a procedural error which is a "special and important" reason for this Court to issue a writ of certiorari. It also argues that the actual issuance of the writ of mandamus by the Second Circuit Court of Appeals, regardless of procedural defect, is an error of law which should be addressed by this Court. Neither of these grounds constitute a special or important reason which warrants the grant of Fonar's petition.

Fonar was heard on the issue of confidentiality on multiple occasions, by the Second Circuit. Therefore, failure of the Second Circuit to issue an order setting a time for Fonar to answer the petition for mandamus does not rise to the level of a due process violation. Furthermore, this procedural defect had no bearing on the substance of the Second Circuit's decision as Fonar argued the merits of the Second

Confidentiality Order on its motion for reconsideration of the court's order granting the writ of mandamus and its motion for reconsideration was denied. Therefore, the Second Circuit did consider Fonar's claims and found against it. Finally, as a matter of law, the issuance of the writ of mandamus was entirely appropriate under the facts and circumstances of this case.

The issues presented by Fonar's petition are largely fact specific, raise no issues of federal law, and will have little application beyond this contest between private litigants. The existence of trade secrets and the validity of copyrights in this case are mere allegations, not facts, and remain to be resolved by the fact finder at the district court level. The Second Circuit seriously questioned these allegations before issuing its writ. The district court had failed to follow the Court of Appeals' direction to modify its prior restrictive confidentiality order. These factors militate against the granting of Fonar's petition.

A. THE ABSENCE OF AN ORDER BY THE SECOND CIRCUIT DIRECTING FONAR TO ANSWER THE PETITION FOR WRIT OF MANDAMUS DOES NOT WARRANT REVIEW BY WRIT OF CERTIORARI.

The failure of the Second Circuit to order Fonar to answer the petition for a writ of mandamus does not rise to a special and/or important reason for review as required in Rule 10 of the Rules of the Supreme Court. The Second Circuit's action represents no gulf between courts of appeals that need to be addressed by this Court, nor does it represent such a departure

from the usual and accepted course of proceedings which requires exercise of this Court's jurisdiction.

There is no evidence that the Second Circuit's failure to comply with Rule 21(b) was intentional nor is there any indication that litigants would receive disparate treatment in proceedings before the Second Circuit compared to others, or that the Supreme Court must step in to assure proper application of Rule 21(b) in the Second Circuit. This is particularly so here where even though petitioner was denied an opportunity to answer the petition, it nevertheless made its views known on its motion for reconsideration which was denied on the merits.

Although Fonar was not permitted to answer the petition for a writ of mandamus, the Second Circuit's failure to order an answer did not deprive Fonar of due process. Due process requires an opportunity to be heard at a meaningful time and in a meaningful manner. *Armstrong v. Manzo,* 380 U.S. 545, 552, 85 S. Ct. 1187, 14 L.Ed.2d 62 (1965). Fonar was heard on the substantive issues of the First and Second Confidentiality Orders both before and after the petition for mandamus was granted. Its arguments failed in both instances. The mere violation of a procedural rule does not in and of itself rise to the level of a due process violation. *See Johnson v. U.S.,* 805 F.2d 1284, 1289-90 (7th Cir. 1986), *reh'g and reh'g en banc denied* (1987). The facts and circumstances of this case establish that the procedures in this case did not deprive Fonar of due process.

The issues of secrecy and confidentiality of software and schematics in this case have been litigated repeatedly. Fonar's application for a preliminary

injunction entailed the element of likelihood of success on the merits of its secrecy claims. This issue was fully briefed and argued to the Second Circuit long before the petition for a writ of mandamus. *See Fonar Corp. v. Deccaid Services, Inc.*, 983 F.2d 427 (2d Cir. 1993). The Second Circuit, while denying review, suggested reconsideration of a much less onerous confidentiality order. *Fonar*, 983 F.2d at 430. In addition to Fonar's opportunity to brief and argue the confidentiality issue at the appellate level, Fonar also submitted a motion to the Second Circuit for reconsideration of the merits of the ruling on the Second Confidentiality Order after the writ of mandamus issued. Fonar also indirectly addressed the petition for a writ of mandamus in papers filed with the Court of Appeals in opposition to a motion by Respondents to stay the trial. That motion was returnable on the same day as the petition for a writ of mandamus and was decided by the same order that determined the issues on the petition.

Fonar's numerous opportunities for argument on the merits of the Second Confidentiality Order at the appellate level belie its due process claim. To the contrary, it has taken repeated bites of the apple on the confidentiality issue. The district court and Court of Appeals have heard Fonar. That Fonar was denied yet another opportunity to make the same arguments does not make this a "special" case.

B. THE WRIT OF MANDAMUS WOULD HAVE PROPERLY ISSUED EVEN WITH FONAR'S ANSWER.

After the propriety of the First Confidentiality Order was briefed and argued on appeal, the Court of

Appeals suggested to the district court that it reconsider its scope. *Fonar*, 983 F.2d 430. It cited *Bridge C.A.T. Scan Associates v. Technicare*, 710 F.2d 940 (2d Cir. 1983), and *International Products Corp. v. Koons*, 325 F.2d 403 (2d Cir. 1963). It explained these cases in *Bridge C.A.T. Scan Associates:*

> Nonetheless, here, as in *Koons*, '[i]t does not follow . . . that an order purportedly made under [Rule 26(c)] which exceeds the power there given to a district court is altogether beyond appellate scrutiny. The normal remedy for action taken in excess of jurisdiction is mandamus.' 325 F.2d at 407. In *Koons*, we did not treat the appeal as a petition for writ of mandamus, preferring to recommend to the district court that it modify its order and noting that we would entertain a mandamus petition if the suggested modification were not forthcoming.

Bridge C.A.T. Scan Associates, 710 F.2d at 944.

The district court disregarded the Court of Appeals' suggestion, and proceeded to enter a much more restrictive confidentiality order. The Second Circuit's warning to the district court was ignored and the petition for a writ of mandamus granted.

The power of an appellate court to enforce its mandate by use of a writ of mandamus is firmly established. *See, e.g., Ex Parte DuBuque and Pacific Railroad*, 1 Wall 69, 17 L.Ed. 514 (1863); *Deen v. Hickman*, 358 U.S. 57, 79 S. Ct. 1, 3 L.Ed.2d 28 (1968) (declining to issue the writ on the assumption that the state court would conform to disposition made

therein). The All Writs Act expressly empowers the use of "all writs necessary or appropriate in aid of [the Court of Appeals'] respective jurisdictions and agreeable to the usages and principles of law." 28 U.S.C. 1651 (1993). The Court of Appeals did nothing more than enforce its "suggestion" when the suggestion was ignored. This is not departure from appellate practice. Rather, it is a traditional application of mandamus used in its most conventional sense.

We are cognizant of decisions by this Court and the Courts of Appeals, including the Second Circuit, requiring as prerequisites for issuance of the writ (i) a usurpation of power, or a clear abuse of discretion, (ii) the lack of an adequate alternative, and (iii) a clear and indisputable right to issuance of the writ. There is no discord between these decisions and the Second Circuit's in this case.

The decisions expounding the foregoing prerequisites generally address petitions for writs of mandamus brought independently of other appellate proceedings. We submit that the issuance of a writ to compel a lower court to implement the intent of a prior mandate is a traditional use of the writ, not necessarily subject to the same principles as those rare cases where the writ serves purely as an alternative to an interlocutory appeal. *See, e.g., Oswald v. McGarr,* 620 F.2d 1190 (7th Cir. 1980), *reh'g denied* (1980) (disapproving use of the writ to address constitutional error otherwise correctable by the normal appeals process, but acknowledging appropriateness of the writ to review compliance with remand instructions from an earlier appellate decision); *Yablonski v. United Mine Workers of America,* 454 F.2d 1036 (D.C. Cir. 1971), *cert. denied,* 406 U.S. 906, 92

S. Ct. 1609, 31 L.Ed.2d 816 (1972) (issuing the writ and noting that a trial court is without power to do anything which is contrary to either the letter or the spirit of the mandate construed in light of the opinion of the court deciding the case). Nevertheless, the application of those principles to our facts would require the same result.

The issuance of a protective order entails the use of discretion by the district court. This does not mean that every protective order is beyond appellate review, by mandamus or otherwise. *Bridge C.A.T. Scan Associates*, 710 F.2d at 944. The district court's disregard of the Court of Appeals' direction satisfied the first element—abuse of discretion or usurpation of power. The substance of the order also goes to this factor. The order precluded disclosure to any experts in the medical diagnostic imaging field and to principals. In effect, no one who knows how to operate MRI equipment would have access to information designated "specially confidential" by Fonar. This severely prejudices the ability to defend; the ability to prove what in the field is secret and what is not.

The order also set a timetable for disclosure to third parties, which potentially extended beyond the then scheduled trial date and required disclosure in advance of experts who would review "specially confidential" material, regardless of whether respondents would retain that expert for trial. The order, based on a questionable showing of secrecy (questioned, in fact, by the Second Circuit) was a clear abuse of discretion.

The Respondents lacked an adequate alternative. Appeals after trial would not likely achieve a result

stronger than the first appeal, wherein the Court of Appeals indicated that a less restrictive order should issue. Mandamus is the appropriate alternative when a district court fails to follow the direction of an appellate court. Furthermore, the combined effect of the confidentiality order and the trial date scheduled by the district court placed the Respondents, at the time of the petition, at risk of proceeding to trial without an opportunity to review the subject matter of Fonar's alleged secrets with a knowledgeable expert.

Finally, the Respondents have a clear and indisputable right to implementation of the spirit of Court of Appeals mandates by the district court. *See Oswald v. McGarr*, 620 F.2d at 1196 (equating disregard of an appellate mandate with a clear and indisputable right to a writ). In addition, the substance of the order of the district court denied the clear and indisputable right of the respondents to apprise an expert knowledgeable in the field of medical diagnostic imaging of the substance of Fonar's alleged secrets for the purpose of testifying to opinions at trial.

II.

PETITIONER'S FAILURE TO RAISE NON-COMPLIANCE WITH FEDERAL RULE OF APPELLATE PROCEDURE 21(b) AND DENIAL OF DUE PROCESS TO THE COURT OF APPEALS SHOULD PRECLUDE REVIEW OF THOSE ISSUES BY THIS COURT.

Fonar could have presented its argument that the Court of Appeals misapplied Rule 21(b) and deprived it of due process to the Court of Appeals on its motion for reconsideration. Fonar had adequate notice

of the terms of the rule. The clerk's June 1, 1993 letter, advising Fonar that the Respondents' petition for writ of mandamus would be submitted June 8, specifically referred to Rule 21(b). (See page 1a of Fonar's petition.) Notwithstanding advance notice of the submission date and full opportunity to present the issue on motion for reconsideration, Fonar never claimed that the alleged denial of due process and misapplication of Rule 21(b) required modification of the writ of mandamus, until after the motion for reconsideration was decided.

Traditional Supreme Court practice precludes grant of certiorari when the question presented was not pressed or passed upon below. *See United States v. Williams*, ___ U.S. ___, 112 S. Ct. 1735, 118 L.Ed.2d 352 (1992) (finding that the Tenth Circuit had decided the crucial issue presented on petition for writ of certiorari); *Browning-Ferris Industries v. Kelco Disposal, Inc.*, 492 U.S. 257, 109 S. Ct. 2909, 106 L.Ed.2d 219 (1989) (because petitioners did not raise the argument that a punitive damage award was violative of due process to the District Court or Court of Appeals, or in its petition for certiorari, the Supreme Court declines to consider the issue); *DeShaney v. Winnebago County Department of Social Services*, 489 U.S. 187, 109 S. Ct. 998, 103 L.Ed.2d 249 (1989) (court declines to consider argument made for the first time in brief that infant plaintiff was deprived of due process regarding claimed entitlements (see footnote 2)).

There is no reason why Fonar could not have presented these arguments to the Court of Appeals. Since it did not present them to the Court of Appeals, it should not present them to the Supreme Court.

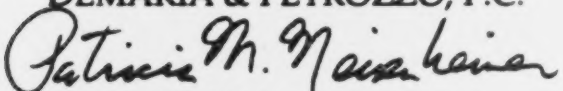
CONCLUSION

The petition for a writ of certiorari should be denied.

Dated: Hempstead, New York
September 23, 1993

Respectfully submitted,

FUREY, FUREY, LAPPING,
DEMARIA & PETROZZO, P.C.



By: Patricia M. Meisenheimer
Counsel of Record
James M. Furey, Jr.
Attorneys for Respondents
Deccaid Services, Inc., Stephen Steckler, Luigi Treglia s/h/a Louis Treglia and *Peter Kim*
600 Front Street—P.O. Box 750
Hempstead, New York 11550
(516) 538-2500

Of Counsel:

Richard O'Callaghan
CONGDON, FLAHERTY, O'CALLAGHAN, REID, DONLON, TRAVIS & FISHLINGER
Attorneys for Respondent
Medical Funding of America, Inc.
377 Oak Street
Garden City, New York 11530
(516) 542-5900

CARL M. BORNSTEIN
Attorney for Respondent Morton Mackof
One Madison Avenue
New York, New York 10010
(212) 686-0800

Paul J. Hanly, Jr.
COBLENCE & WARNER
Attorneys for Respondent David Smith
1370 Avenue of the Americas
New York, New York 10019
(212) 957-9700

Virginia R. Richard
KANE, DALSIMER, SULLIVAN, KURUCZ,
LEVY, EISELE and RICHARD
Additional Counsel for Respondent
Deccaid Services, Inc.
711 Third Avenue
New York, New York 10017
(212) 687-6000

THIS PAGE
INTENTIONALLY
LEFT BLANK

APPENDIX A

Decision of the United States Court of Appeals for the Second Circuit, decided January 11, 1993 (vacating and remanding district court's preliminary injunction and order of contempt and dismissing the appeal from the district court's protective order)

UNITED STATES COURT OF APPEALS
For the Second Circuit

No. 170 — August Term, 1992

(Argued October 5, 1992 Decided January 11, 1993)

Docket No. 92-7407

FONAR CORPORATION,

Plaintiff-Appellee,

v.

DECCAID SERVICES, INC., STEPHEN STECKLER, LOUIS TREGLIA PETER KIM, MEDICAL FUNDING OF AMERICA, INC. and DAVID SMITH,

Defendants-Appellants,

EQUI MED LEASING, INC. and MORTON MACKOF,

Defendants.

BEFORE: VAN GRAAFEILAND, PRATT and ALTIMARI, Circuit Judges:

Appeal from a preliminary injunction, a contempt order and a protective order of the United States District Court for the Eastern District of New York (Wexler, J.). Vacated and remanded in part and dismissed in part.

VIRGINIA M. RICHARD, New York, New York (Maribel Figueredo, Kane, Dalsimer, Sullivan, Kurucz, Levy, Eisele & Richard, New York, New York, of counsel), for Defendants-Appellants Deccaid Services, Stephen Steckler, Louis Treglia and Peter Kim.

HENRY B. GUTMAN, New York, New York (Kerry L. Konrad, Joshua H. Epstein, O'Sullivan, Graev & Karabell, New York, New York, of counsel), for Plaintiff-Appellee.

VAN GRAAFEILAND, Circuit Judge:

Deccaid Services, Inc., Stephen Steckler, Louis Treglia, Peter Kim, Medical Funding of America, Inc. and David Smith appeal from a preliminary injunction, a contempt order and an order sealing certain documents pendente lite issued by the United States District Court for the Eastern District of New York (Wexler, J.) in this copyright infringement and trade secret suit. For the reasons that follow, we vacate and remand the injunction and contempt orders and dismiss the appeal from the protective order.

Fonar Corporation manufactures, sells and services Magnetic Resonance Imaging ("MRI") scanners, sophisticated devices used in the making of medical diagnoses. In order to facilitate the maintenance of its product, Fonar has developed unpublished and copyrighted "Maintenance Software." This software is not in evidence, despite two district court orders that it be produced. Moreover, the record does not disclose which specific computer programs fall within the umbrella term "Maintenance Software." Fonar also has created "Schematics," diagrams of the scanners' internal structure, which likewise are asserted to be trade secrets.

Deccaid is an independent medical imaging equipment service company which repairs MRI scanners, including those manufactured by Fonar. Steckler, Treglia and Kim, erstwhile employees of Fonar, are Deccaid employees. Medical Funding of America owns Fonar scanners; Smith is an employee of Medical Funding and also a former Fonar employee.

In 1991, Fonar became concerned about defendants' possible unauthorized use of its maintenance software and schematics and began an investigation into defendants' activities. In July 19, 1991, in anticipation of litigation, Fonar obtained copyright registration number TXU-475-784 for "Fonar Editors and Utilities," "Fonar Diagnostics," and "Fonar Field Engineering Utilities." Pursuant to applicable regulations, the copyright deposit contained only the first 29 pages and last 34 pages of a printout of the programs' source code, redacted to eliminate trade secrets.

On October 1, 1991, Fonar instituted suit alleging copyright infringement and misappropriation of trade secrets. On October 2, 1991, plaintiff moved by order to show cause returnable on October 7 for a preliminary injunction restraining defendants from "copying, duplicating, distributing, offering for sale, or using plaintiff's copyrighted 'Maintenance Software', 'Schematics' or other trade secrets of the Beta 3000 and Beta 3000M." The order to show cause provided further that pending the hearing and determination of the preliminary injunction application, the defendants were "temporarily restrained pending further Order of the Court from copying, reproducing, selling or using plaintiff's copyrighted 'Maintenance Software', 'Schematics' and other trade secrets of for [sic] the Beta 3000 and Beta 3000M."

On October 29, 1991, Fonar moved for a finding of contempt, alleging that Deccaid had violated the TRO by using Fonar's copyrighted maintenance software while repairing a Fonar scanner in Las Cruces, New Mexico on October 8 and October 25. On November 1, 1991, the district court amended the TRO by prohibiting the defendants Deccaid, Steckler, Treglia, Kim, and Equi Med Leasing, Inc. "from servicing any FONAR MRI Scanners pending Hearing and determination of the Preliminary Injunction." On February 25, 1992, the court entered an order sealing all schematics and software on file with the court, and prohibiting defendants from disclosing them pending the outcome of the litigation.

In findings of fact and conclusions of law dated February 28, 1992 and amended March 9, 1992, the district court held Deccaid, Kim, Treglia, Steckler and

Equi Med Leasing, Inc. in contempt of the temporary restraining order and granted Fonar's motion for a preliminary injunction against all of the defendants. *See* 787 F. Supp. 44. Because we unquestionably have jurisdiction to hear the appeal from the preliminary injunction order, *see* 28 U.S.C. § 1292, we will consider the merits of the contempt order without deciding whether it is appealable *per se*. *See Emery Air Freight Corp. v. Local Union 295*, 449 F.2d 586, 590 (2d Cir. 1971), *cert. denied*, 405 U.S. 1066 (1972).

A district court may punish for disobedience of an order only if the order is clear and unambiguous. "The judicial contempt power is a potent weapon. When it is founded upon a decree too vague to be understood, it can be a deadly one." *International Longshoremen's Ass'n, Local 1291 v. Philadelphia Marine Trade Ass'n*, 389 U.S. 64, 76 (1967). "An unclear order provides insufficient notice to justify a sanction as harsh as contempt." *United States v. International Bhd. of Teamsters*, 899 F.2d 143, 146 (2d Cir. 1990). The contempt order in the instant case was predicated on alleged violations of an unclear restraining order. The order prohibited defendants from "using plaintiff's copyrighted 'Maintenance Software'," but never defined precisely what constituted "Maintenance Software." Indeed, even at this stage in the proceedings, there is nothing in the record to identify the programs that comprise this protected software. Throughout, Fonar has adhered to the most elusive of definitions and has refused repeatedly to provide the documents that would narrow and clarify the issue. For example, in the affidavits supporting Fonar's motion for a TRO, "Maintenance Software" was defined as "all software other than Operational Software . . . , including but

not limited to, 'diagnostic and maintenance software', 'field engineering utilities software' and 'editors and utilities software'." Notably, these affidavits do not define "Operational Software." Even the copyright deposit does not contain a table of contents, program menu, or any other complete listing of the protected programs. The significance of the foregoing omissions is highlighted by the following provision in the same order that held the defendants in contempt:

> Fonar shall produce copies of the copyrighted maintenance software for the Court and for each of the named defendants.

Fonar argues that defendants knew precisely what was prohibited, notwithstanding any vagueness in the restraining order. Even if this were true, Fonar's argument would be unpersuasive. Although specificity is designed in part to ensure that a party receives notice of precisely what conduct is outlawed, it also serves to facilitate appellate review. *Schmidt v. Lessard*, 414 U.S. 473, 476-77 (1974) (per curiam). "Unless the trial court carefully frames its orders of injunctive relief, it is impossible for an appellate tribunal to know precisely what it is reviewing." *Id.* at 477. That is the situation in the instant case.

Turning next to the preliminary injunction itself, we hold that it too cannot stand. Fed. R. Civ. P. 65(d) requires a district court, in issuing an injunction, to "set forth the reasons for its issuance," "be specific in terms," and "describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained." This requirement is satisfied only if the enjoined party can "ascertain

from the four corners of the order precisely what acts are forbidden." *Sanders v. Air Line Pilots Ass'n, Int'l,* 473 F.2d 244, 247, (2d Cir. 1972). The order in the instant case does not satisfy this requirement.

For example, it mandates that all of the defendants "strictly adhere to the prohibitions of [the court's] Order of November 1, 1991, as modified in paragraph 14 of the accompanying Findings of Fact and Conclusions of Law regarding Contempt." *See* 787 F. Supp. at 48. As stated above, the November 1 order prohibited five of the defendants from servicing any Fonar MRI scanners pending the hearing and determination of the preliminary injunction application. Paragraph 14 of the accompanying findings and conclusions describes the supposed irreparable harm which plaintiff might suffer. *Id.* at 47. This contempt order provision demonstrates the problems that inhere in incorporation by reference as proscribed in Rule 65(d), and it clearly does not satisfy the Rule. *See Hartford-Empire Co. v. United States,* 323 U.S. 386, 410 (1945). As was the case in *International Longshoremen's Ass'n, supra,* 389 U.S. at 76, the decree below can best be described as "unintelligible" and hence unenforceable.

The district court's circuitous definition of "Maintenance Software" is equally troublesome. "Maintenance Software" is defined "as all software other than 'Operational Software.'" In turn, "Operational Software" is defined as that "described in listed menus in the 'User's Manual.'" 787 F. Supp. at 47. As a result, it is impossible to "ascertain from the four corners of the order precisely what acts are forbidden." *Sanders, supra,* 473 F.2d at 247. On the contrary, one must turn to unclear extrinsic docu-

ments in an attempt to discover the breadth of the court's prohibition. This is not what is contemplated by Rule 65(d). *See Brumby Metals, Inc. v. Bargen*, 275 F.2d 46, 48-49 (7th Cir. 1960). In sum, the preliminary injunction is too indefinite and ambiguous to permit of enforcement.

Much of the indefiniteness that leads us to vacate the injunction and contempt orders also exists in the district court's protective order. However, because the protective order does not purport to grant any of the ultimate relief sought by the plaintiff and the defendants have shown little, if any, damage resulting therefrom, we will follow our customary practice of denying interim review. *See Ronson Corp. v. Liguifin Aktiengesellschaft*, 508 F.2d 399, 401 (2d Cir. 1974); *International Prods. Corp. v. Koons*, 325 F.2d 403, 406-07 (2d Cir. 1963). Rather than converting the appeal from the protective order into a petition for a writ of mandamus, as we did in *Bridge C.A.T. Scan Assocs. v. Technicare Corp.*, 710 F.2d 940, 943-47 (2d Cir. 1983), we suggest that upon remand the district court give further consideration to the terms of that order in the light of defendants' allegations of prior publications and in the interests of certainty.

The district court's preliminary injunction and order of contempt are vacated and remanded. The appeal from the district court's protective order is dismissed.

APPENDIX B

Order of the Honorable Leonard D. Wexler, Judge of the United State District Court for the Eastern District of New York, dated February 25, 1992

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

ORDER

FONAR CORPORATION,

Plaintiff,

-against-

DECCAID SERVICES, INC., EQUI MED LEASING, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEPHEN STECKLER, LOUIS TREGLIA and PETER KIM,

Defendants.

ORDERED, that pending the final disposition of this action or further Order of this Court:

(1) all FONAR Schematics and FONAR Maintenance Software now filed with the Clerk of the Court shall be placed under seal by the Clerk and not made a part of the public record herein;

(2) in the event that any schematic, copy of a schematic or portion thereof, for the FONAR Beta 3000 and Beta 3000M MRI Scanner, is to be filed with the Court Clerk, that it be filed under seal;

(3) in the event that any Maintenance Software or portion thereof, for the Beta 3000 and Beta 3000M, is to be filed with the Court Clerk, that it be filed under seal;

(4) that for purpose of this Order, Maintenance Software is defined as all software for the FONAR MRI Scanner other than Operational Software;

(5) that for purpose of this Order, "Operational Software" is defined through a listing of menus for said software in the User's Manual for the Beta 3000 and Beta 3000M MRI Scanner; and

(6) defendants and their attorneys shall not in any manner, directly or indirectly, transfer the FONAR Schematics or FONAR Maintenance Software or copies thereof, or communicate, orally or in writing, any of the data contained in the FONAR Schematics or FONAR Maintenance Software, to any person other than for purposes directly related to the litigation of this case and any such person to whom such communication is made shall be specifically identified and shall be bound by the terms of this Order.

Dated: Hauppauge, New York
February 25, 1992

/s/

The Honorable Leonard D. Wexler,
United States District Judge

APPENDIX C

Transcript of Argument Before the United States Court of Appeals on October 5, 1992

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

FONAR CORPORATION,

Plaintiff-Appellee,

-against-

DECCAID SERVICES, INC., STEPHEN STECKLER, LOUIS TREGLIA, PETER KIM, MEDICAL FUNDING OF AMERICA, INC. and DAVID SMITH,

Defendants-Appellants.

October 5, 1992
10:20 a.m.
U.S. Court of Appeals
40 Foley Square
New York, New York

Before:

HONORABLE JUDGE JOHN PRATT
HONORABLE JUDGE ALTIMARI
HONORABLE JUDGE VAGRAAFEILAND

Reported by: Marianne D'Amico

Appearances:

KANE, DALSIMER, SULLIVAN, KURUCZ, LEVY & RICHARD, ESQS.
Attorneys for Defendants-Appellants
711 Third Avenue
New York, New York

By: VIRGINIA RICHARD, ESQ.

Of Counsel

O'SULLIVAN, GRAEV & KARABELL, ESQS.
Attorneys for Fonar
30 Rockefeller Center
New York, New York

By: HENRY GUTMAN, ESQ.

Of Counsel

MS. RICHARD: Good morning, your Honor. My name is Virginia Richard, I receipt the appellant Deccaid Services, Peter Kim, Louis Treglia and Stephen Steckler.

This is a copyright infringement and misuse of trade secrets case involving allegedly copyrighted computer software and secret schematic drawings for printed circuit boards.

The lower court issued a TRO on October 1, 1991 and granted plaintiff's motion for preliminary injunction and contempt of the October 1, 1991 TRO on March 9, 1992. This appeal followed.

The question before this court is whether there was sufficient evidence before the lower court to warrant issuance of the injunctive relief and to support a contempt finding.

JUDGE PRATT: Were diagnostic programs already on the system or in the system, were they on the system? Were the diagnostic programs already there?

MS. RICHARD: Your honor, the complete work, as I understand it, consisted of operating software which is application software used by the person who operated the MRI machine, and diagnostic software which included works which were allegedly the subject of the copyright registration in suit, Fonar Editors Diagnostics and Field Utilities.

There was also other diagnostic or maintenance software on the disk which was not the subject of the copyright registration.

The copyright registration itself did not --

JUDGE PRATT: My question is could they service the machine. Let's assume I know something about computers or things of this nature, which I don't. I walked over to the machine, and I look on the instructions, could I service the machine?

MS. RICHARD: Could you service the machine? Without using any software?

JUDGE PRATT: By using the

information already in or on the machine?

MS. RICHARD: You could service the machine by using the operating software that enabled the user to operate the machine.

JUDGE PRATT: Was it available to anyone?

MS. RICHARD: Available to anyone, correct.

JUDGE PRATT: How do we have a copyright infringement under those circumstances?

MS. RICHARD: Well, the allegation is that the diagnostic software or the maintenance software which was on the computer disk, hard drive disk on the machine, contained specific software which was utilized in connection with the repair or service of the machine. And it was portions of that software which were the subject of the copyright registration.

JUDGE PRATT: You're not confusing trade secret with copyright, are you?

MS. RICHARD: I don't believe so,

your Honor.

JUDGE PRATT: O.K., go ahead.

MS. RICHARD: The copyrighted work is not in evidence and the copyright validity was not admitted.

The copyright certificate attached to the complaint identified the work as a computer program bearing the title "Fonar Editors Utility and Diagnostics." Neither the copyrighted work nor the deposit was attached to the complaint or otherwise identified.

Defendants asked that the work be produced or program titles be provided beginning at the TRO hearing. The court refused to order plaintiff to produce the copyrighted work at that time and issued a TRO which specifically prohibited use of the "copyrighted maintenance software."

Subsequently, defendants sought through discovery to identify the copyrighted work. Defendants served a 30(b)(6) notice on Fonar seeking information as to the factual basis of

every allegation in the complaint.

Mr. Bonani, plaintiff's 30(b)(6) witness, testified that he did not know if Fonar owned any copyright registration relating to maintenance software, nor could he state what programs were covered by the copyright registration in suit or if the programs shown on the printscreens placed in evidence on the contempt hearing were covered by Fonar's copyright registration or if Deccaid had infringed Fonar's copyright by copying, reproducing, selling and/or offering for sale a copyrighted software.

Mr. Wolf, plaintiff's --

JUDGE PRATT: What you are trying to say is you don't know what the copyright covers?

MS. RICHARD: That is correct, your Honor.

JUDGE PRATT: What flows from that?

MS. RICHARD: What flows from that is we cannot raise a defence; if we don't know what it is, how can we defend against

it?

JUDGE VANGRAAFEILAND: You state you never got it and you also state that the judge ordered it?

MS RICHARD: That is correct, your Honor.

JUDGE VANGRAAFEILAND: Did you ever make a point with the judge that they didn't comply with his order?

MS RICHARD: Yes, your Honor.

JUDGE VANGRAAFEILAND: What did the judge do?

MS. RICHARD: Well, at the November 27 -- first we told him at the TRO hearing that we needed the copyrighted work. There was a subsequent hearing on November 19. We told him at that point we needed the copyrighted work.

JUDGE VANGRAAFEILAND: The judge ordered it produced?

MS. RICHARD: On the November 19 hearing, he ordered that the deposit copy be produced. That was finally produced and we saw that.

Then we subsequently, on November 27, said that the copyright deposit is so deficient that we cannot determine what is covered by this work, we must have a complete copy of the copyrighted work.

He then ordered the plaintiff to produce the copyrighted work on December 2, which was during the course of all of these actions. The work was not produced on December 2.

On December 3, the court said the copyrighted work is not in evidence on this record. And plaintiff's attorneys said we are getting to that. And then plaintiff's attorney rested on the preliminary injunction and the contempt proceeding.

JUDGE PRATT: You suggested, demanded that all be revealed to the trial judge? Is that what you're suggesting?

MS. RICHARD: I'm suggesting that all be revealed to everyone in this litigation, so that we can make some sense out of what is involved here.

JUDGE VANGRAAFEILAND: Counsel, I'm

still not sure I understand what happened.

The order that demanded it be produced wasn't adhered to; what did you do?

MS. RICHARD: We briefed the issue and said this case should be dismissed because the copyright registration which is the subject matter of the suit --

JUDGE VANGRAAFEILAND: Did you ask that your opponents be held in contempt for not obeying the judge's order?

MS. RICHARD: In opposition to the motion for preliminary injunction and contempt, we said that there was insufficient evidence on either point and the case should be dismissed. We did not ask that they be held in contempt.

JUDGE VANGRAAFEILAND: Wouldn't then the logical thing to have done was go to the district court judge and argue the same? Wouldn't that have been the logical thing to do so you get the copyright?

I mean, instead of now arguing for dismissal of the case, it seems to me the

logical procedure would then have been to go to the district court judge and say we haven't got it, we would like you to hold our opponents in contempt for not obeying the order. Then you would have gotten it.

MS. RICHARD: I suppose, your Honor, at that point in time we had asked for it so many times, he had ordered it produced. This was the end of a very important hearing, very significant to our client, and we felt that the best thing to do was to go forward and say look, they have all of these opportunities to produce this document. It's absolutely critical, and they haven't; dismiss this case.

JUDGE VANGRAAFEILAND: Counsel, it seems to me that if it was that important for you, the thing to do was to take the necessary steps to get it.

MS. RICHARD: Your Honor, we felt that we had taken all of the necessary and prudent steps to get this document.

They were the plaintiffs; they were obligated to come forward with evidence in

support of their case. They didn't do it. What is the logical conclusion to that? They didn't have it or they didn't want to produce it; that it wasn't in their best interest to come forward with the critical cornerstone evidence of their case.

JUDGE VANGRAAFEILAND: Counsel, it seems to me, the best relief is you could ask us to have it sent back so that you could get it; not to have the case dismissed.

MS. RICHARD: Your Honor, I'm certainly asking here that the order of injunction and the order of contempt be reversed for insufficient evidence. That is the very least we believe that we would seek here.

JUDGE VANGRAAFEILAND: How can we say that? We have never seen the thing either, how do we know?

MS. RICHARD: The judge hadn't seen it either and he held that the copyright was valid and it was infringed.

JUDGE VANGRAAFEILAND: You're saying

he was wrong, but how can we say he was wrong if we don't know what was in that document? He may be 100 percent right.

MS. RICHARD: He is clearly wrong if there was insufficient --

JUDGE PRATT: He may be clairvoyant.

MS. RICHARD: That's true.

JUDGE PRATT: Thank you. Ms. Richard, your time is up.

How can we decide what is in this without knowing what is in the copyright?

MR. GUTMAN: I would be delighted, your Honor, the copyright covers the maintenance software.

JUDGE PRATT: How do we know that?

MR. GUTMAN: That is what the registration certificate says.

JUDGE PRATT: Why didn't you produce that?

JUDGE VANGRAAFEILAND: Let's answer one simple question. Why didn't you produce it?

MR. GUTMAN: I wasn't there. I was hired for the appeal.

JUDGE VANGRAAFEILAND: Why didn't whoever was there produce it?

MR. GUTMAN: I do not know that, the answer to that.

JUDGE VANGRAAFEILAND: I don't either and --

MR. GUTMAN: I can say you don't have to remand this to the district court to get this case adjudicated. This is a preliminary injunction appeal, this is still pending. This matter is still pending. If they believe --

JUDGE PRATT: It's also in contempt. Isn't it in contempt?

MR. GUTMAN: There is a civil contempt which is upon them.

JUDGE PRATT: Based upon a copyright that the Honor never saw.

MR. GUTMAN: If I may get back to the point that your Honor raised in response to Ms. Richard, there is software left in the customer's possession

JUDGE PRATT: We are all aware of that. That might be a compelling argument.

But how in the world will this court make a determination on the pivotal point without seeing the instrument itself? The document?

MR. GUTMAN: Well, the court below enjoined them from using the maintenance software, that components --

JUDGE PRATT: The copyrighted maintenance software?

MR. GUTMAN: Exactly.

JUDGE PRATT: That part of the maintenance software that was copyrighted.

MR. GUTMAN: There is no evidence anywhere in the record that any software was not copyrighted.

JUDGE PRATT: There is no evidence that it was.

MR. GUTMAN: If you -- if I may, there is a copyright that covers it. They made a big fuss about the deposits, but as your Honor knows that the deposit is just samples from the beginning of the end of the code.

JUDGE PRATT: You received an

injunction in this matter?

MR. GUTMAN: Yes, my client. As I said, I came in after the fact.

JUDGE PRATT: You received this injunction based on something that really was never before the court fully? Now you're saying because we did not give him the information he asked for, we ought to affirm the district court's clairvoyance?

MR. GUTMAN: If I may, your Honor, it's not clairvoyance. They admitted that they had copied the maintenance tape. They admitted that in their offices, they had shelves with copies of these tapes.

JUDGE PRATT: That still doesn't show what portion of that was legitimately copyrighted.

MR. GUTMAN: I understand.

JUDGE PRATT: In Computer Associates, a panel of this court on which Judge Altimari sat said you first have to analyze the copyright to determine what portions of it covered original material, and there is no possible way to do it

without having the whole thing in front of you.

MR. GUTMAN: With due respect, I am familiar with your Honor's decision in the district court and with the decision of this court. This is not a substantial similarity case, this is a piracy case. This isn't the situation like that that existed in all my --

JUDGE PRATT: Where was piracy?

MR. GUTMAN: They copied the tape itself.

This is not a situation such as Alpha where you had the defendant claiming that he had written the Oscar 345 independence program 3.4 he admitted was copied. 3.5 he said we realized we were wrong, we set out to do it right and we wrote it independently. And the situation, your Honor, in front of the district court that this court then could be confronted later was whether he had done it independently.

That is not that. This is copy a

tape, it is like duplicating a disk or copying a phonograph record or copying an audio tape. It's not a question of --

JUDGE PRATT: The infringement level, you have got to determine what portions of it you could legitimately infringe; that is, you can copy legitimately, there are some portions you cannot and you have got to separate one from the other.

How can you do that without knowing what it was that was copyrighted?

MR. GUTMAN: Your Honor, again, if I may, they copied the whole thing. So it's clear if the registration --

JUDGE PRATT: You mean the backup copies, the backup copies that you're giving to your customers.

MR. GUTMAN: There is a difference. A customer is allowed to have a backup copy. A customer's license does not permit him access to the maintenance.

If I could take a non-technical analogy, it's as if I had in a customer's

facility a locked closet in which I kept my tools and the customer understood that those tools were mine, that he doesn't have the right to go into that closet, that that's for my convenience and it's not covered by his license because that was the arrangement under which all of this software was sold to the customer. None of that gave them the license.

JUDGE VANGRAAFEILAND: May I ask a question. Up until 1985, you didn't have a separate maintenance arrangement there or chart or whatever you had; it was all in one, is that right?

MR. GUTMAN: My understanding, your Honor, is that the methods of access changed at some time around 1985 or 1986, but --

JUDGE VANGRAAFEILAND: That's a nice, nice way of putting it. You separated the maintenance from the basic design, whatever it was; what was it in 1985?

MR. GUTMAN: There was a change made

in 1985.

JUDGE VANGRAAFEILAND: Prior to that time, it was all available?

MR. GUTMAN: I don't believe it was supposed to be. I think my client frankly got better at policing it, but I don't believe it was covered by their license even at that point. And this is new software, this is 1989 software that they copied.

JUDGE VANGRAAFEILAND: I can't get a word in edgewise. It was all in one, wasn't it, and then in 1985 you separated out the maintenance, right?

MR. GUTMAN: It was all in the same tape, but they changed the access.

JUDGE VANGRAAFEILAND: So in 1985, anybody could have seen it, isn't that right? You didn't have a, to use a vocal key word, to get into those things, that seemed to be the word you used, Fonar, to say vocally or with buttons?

MR. GUTMAN: You had to type in a code and I don't believe Fonar was the full

extent --

JUDGE PRATT: But it wasn't a very complicated password, was it?

MR. GUTMAN: Your Honor, I'm not saying they couldn't have done better.

JUDGE PRATT: It's just like the judges' elevator.

MR. GUTMAN: The difference, your Honor, is that we know better than to use it, even law clerks know they aren't supposed to use that elevator.

JUDGE PRATT: But everybody knows the key, the so-called code?

MR. GUTMAN: Absolutely. Even if they knew the code here, just like the judge's elevator, they didn't have permission to ride in it, whether or not anyone else did because they were all former Fonar employees who had signed confidentiality agreements, who had signed employment noncompete agreements.

These were bad actors who copied the stuff and got access to it. And in software, this is very important because

anybody can copy software. I have commercial programs in my office, I have the disk. I have a license saying I can use them only on my machine, I can't make copies for all of my friends, I can't put them on all of my machines, but I'm essentially on my honor to obey that license and to use it only for mine.

So whether or not the clients' mechanism of keeping people out of maintenance software was as good as it could have been or whether it got better over time, I would respectfully suggest is not the point. They had a copyright that prevented people from using it without their permission.

JUDGE VANGRAAFEILAND: Counsel, they didn't obey the copyrights and you then disobeyed the judge's order. So we would come out just about even then, wouldn't we?

MR. GUTMAN: I would suggest, your Honor, if they have a problem with the obedience --

JUDGE VANGRAAFEILAND: We have a

problem, counsel. The district judge ordered you to do something which he thought was important and you didn't do it.

MR. GUTMAN: Your Honor, as new counsel, if there is any order including that one that my client has not lived up to, we will live up to it. That is something --

JUDGE VANGRAAFEILAND: You will live up to it. You're going to end up living up to it.

MR. GUTMAN: Your Honor, I have no quarrel with that and I'm sorry. I wasn't there at the time. I don't know why it didn't happen.

JUDGE VANGRAAFEILAND: I don't either.

MR. GUTMAN: I wish I could help, but believe me, I have been asking that question myself and I haven't gotten the answer.

JUDGE PRATT: Don't you think it would be wise if we remanded, and I speak only for myself, if we remanded for that

purpose and have reviewed the entire matter with all of the documentation before them, and at the same time we could then reevaluate the contempt? Does that seem, seeing if that impinges upon the other element, doesn't it make sense to do it?

MR. GUTMAN: I certainly have no problem with a remand on the preliminary injunction. And I would suggest to your Honors that with or without a remand, they can always go in below and move to reconsider based on this matter that has become so important suddenly now that they're up here.

On the contempt, though, I think there is a somewhat different point. They have been playing a semantic game, there was no question. And each of the individual defendants was questioned in this in open court before the district judge: Did you understand what was meant by maintenance software when the order was issued on October 2nd? They all said they did. They agreed by consent to extend the

TRO for over a month, indeed for two months to allow for a preliminary injunction hearing. They never asked to have that clarified.

Now, after they got caught, by violating that order, they say we knew what maintenance software meant but we didn't know what the word "copyrighted" meant. And I would suggest that is an all too easy way for anyone who doesn't want to follow an injunction entered by the district court to try and dodge it by saying yes, we do have basic disagreement as to the scope of the copyright which is the issue that will ultimately be resolved, this case isn't over, this is just a preliminary injunction.

JUDGE PRATT: Would you answer one question for me.

MR. GUTMAN: Yes, sir.

JUDGE PRATT: You claim that the schematics were part of the copyright?

MR. GUTMAN: The schematics were protected by a trade secret, not by – I

don't understand that they were protected by copyright.

JUDGE PRATT: So you're not claiming that they were protected by copyright?

MR. GUTMAN: They could have been, but they were not.

Thank you very much.

JUDGE PRATT: We will reserve decision.

Next case.

CERTIFICATE

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, MARIANNE D'AMICO, a Shorthand Reporter and Notary Public within and for the State of New York, do hereby certify:

I reported the proceedings in the within-entitled matter, and that the within transcript is a true record of such proceedings.

I further certify that I am not related, by blood or marriage, to any of the parties in this matter and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of October, 1992.

/s/
Marianne D'Amico

APPENDIX D

Portions of Brief of Appellants Deccaid Services, Inc., Steven Steckler, Louis Treglia and Peter Kim, to the United States Court of Appeals for the Second Circuit

92-7407 and 92-7445

UNITED STATES COURT OF APPEALS
For the Second Circuit

FONAR CORPORATION,

Plaintiff-Appellee,

-against-

DECCAID SERVICES, INC., STEPHEN STECKLER, LOUIS TREGLIA, PETER KIM, MEDICAL FUNDING OF AMERICA, INC. and DAVID SMITH,

Defendants-Appellants,

EQUI MED LEASING, INC. and MORTON MACKOF,

Defendants.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF NEW YORK

BRIEF OF APPELLANTS DECCAID SERVICES, INC., STEVEN STECKLER, LOUIS TREGLIA AND PETER KIM

KANE, DALSIMER, SULLIVAN, KURUCZ
LEVY, EISELE AND RICHARD
Attorneys for Defendants-Appellants
Deccaid Services, Inc., Steven Steckler,
Louis Treglia and Peter Kim
711 Third Avenue
New York, New York 10017
(212) 687-6000

Of Counsel:
VIRGINIA R. RICHARD, ESQ.
MARIBEL FIGUEREDO, ESQ.

[page 12 of the brief:]

b) FONAR MAINTENANCE SOFTWARE

In 1985, Fonar re-arranged its software into two groups: operating software and so-called maintenance software. (Wolf Depos. Tr. 19-22, A - 2619-2622) At that time Fonar moved programs entitled Editors, Diagnostics and Utilities programs "which were written anywhere from 1982 to 1985" from the operating software menu and directories to separate directories bearing those titles. (Wolf Depos. Tr. 19, A - 2619)

Fonar maintenance software is not in evidence.

(i) **Fonar's Maintenance Software Is Not Unpublished And is Not Secret**

Fonar claims that its maintenance software is unpublished and is a trade secret "which no one other than Fonar has access to ..." (Damadian 9/28/91 Aff. ¶ 23, A-51). However, the facts show that:

1) Fonar distributed its maintenance software to all purchasers of Fonar Beta 3000 equipment from 1982 to date on the same disk or tape as its operating software. (Wolf Depos. Tr. 19, A - 2619)

2) At least 15-20 separate programs which are now claimed to be maintenance software were incorporated in the operating software from 1983 until 1985-6. (Wolf Tr. 19-22, A - 2619-2622). Many other programs in the operating software are duplicated in the maintenance software with minor variations in computer code. (Wolf Depos. Tr. 122, A - 2722). Fonar does not claim that its operating software is an unpublished work, therefore, any programs which were once located within the operating software or are merely duplicates of programs in operating software are published works and not entitled to trade secret status.

3) From 1982 to date, Fonar software bore no confidential, secret or other proprietary warnings. (Wolf 92-93, 95, A - 2692-2693; R. Damadian 12/3/91 Hearing Tr. 41-42, A - 1627-1628; Green Depos. Tr. 74-80, A - 2894-2900).

[page 13 of the brief:]

4) Fonar maintenance software was accessible to all users of Fonar equipment from 1982 until approximately 1987-88 without use of an access code. (Green Depos. Tr. 93, 94, A - 2913, 2914; Stutman Dec. ¶ 11; A - 463; Sharpless 11/27/91 Hearing Tr. 58, A - 1560; Sharpless Dec. ¶ 6, A - 458; Smith 12/3/91 Hearing Tr. 94, A - 1680).

5) Fonar maintenance software was accessible to all users by use of the password "FONAR" from 1987-8 to date. From 1987 to date, the password "FONAR" was routinely disclosed by Fonar personnel to operators of Fonar equipment who were not employees of Fonar. (Green Depos. Tr. 106-109, A - 2926-2929; R. Damadian 12/3/91 Hearing Tr. 54-55, A - 1640-1641; Bonnani Depos. Tr. 47, 386, A - 2320, 2549; Alvarez Depos. Tr. 31-37, A - 2223-2229; Wolf Depos. Tr. 146-147, A - 2746-2747; Wolf 12/3/91 Hearing Tr. 91-92; A - 1677-1678; Stutman Dec. ¶¶ 8,11, A - 463.

   a) Non-Fonar employees regularly used the maintenance software, with Fonar's knowledge, to repair and service Fonar equipment. Fonar service records reflect use of the maintenance software by non-Fonar employees. (Green Depos. Tr. p. 109, A-2929)

   b) Fonar did not tell non-Fonar employees who used the access word "FONAR" and the maintenance software that the access word "FONAR" or the maintenance software were secret. (Alvarez

Depos. Tr. 32, 63, 65, A - 2224, 2255, 2257; Wolf Depos. Tr. 93-95, 106, 149-150, A-2693-2695, 2706, 2749-2750; Wolf 12/3/9 1 Hearing Tr. 91-92; A - 1677-1678; R. Damadian Tr. 12/3/91 Hearing Tr. 42, 54-55, A - 1628, 1640-1641; Green Depos. Tr. 106-109, 115, A - 2926-2929, 2935; Treglia Aff. ¶ 13, A - 693, Steckler Aff. ¶ 19, 20, A - 519).

6) Fonar had no written policy or procedures regarding maintaining maintenance software in secret from 1982 to 1991. (Bonanni Tr., p. 47, 386, 388, A - 2320, 2549, 2551; Steckler Aff. ¶ 3, A - 513; Treglia Aff. ¶ 9, A - 692; Smith Dec. ¶ 9, A - 343; Stutman Dec. ¶ 7, A - 462; Sharpless Dec. ¶ 10, A-459).

7) Fonar sold its maintenance software and schematics to the Veterans Medical Center in the Bronx in 1986 pursuant to a sales contract, without secrecy restrictions. (Richard 11/26/91 Aff. Ex. 1, A - 528; Def. Ex. H, A - 1957).

8) Fonar allegedly obtained a copyright registration for certain portions of its maintenance software, therefore, trade secret protection for the portions of the maintenance software included in the registration is preempted. 17 U.S.C. § 301.

The foregoing record evidence rebuts the presumption of validity usually accorded a registered copyright.

3. FONAR SCHEMATICS

From 1982 to date, Fonar developed schematic diagrams relating to its printed circuit boards and other MRI system components. Originally, only a few pages of these diagrams were available in large blue print sized versions. (Green Depos. Tr. p. 58, A - 2878). More recently, the total number of diagrams has grown to about one hundred (100) and they are now available in 8-1/2 x 11 size sheets of white paper with black printing. (Green Depos. Tr. 18, A - 2838).

a) Fonar Schematics Are Not Secret

Fonar claims that its schematics are trade secrets. However, the record evidence shows that Fonar did not regard or maintain its schematics as secret:

1) The Fonar schematics marked F1-F130 submitted by Fonar in connection with the TRO (and may a part thereof, see Docket A - 6) order bear no secrecy notations or confidentiality stamps.[6]

---

[6] A mere handful of the Fonar schematics identified as F1 - F130 bear a distribution control stamp. In each case, the distribution control stamp bears a date later than the issue date of the schematics to which it is applied, which indicates unrestricted distribution of the few marked schematics prior to that date.

[page 17 of the brief:]

2) There is no evidence that Fonar schematics were ever stamped with a secret or confidential legend. Neither Mr. Green nor Mr. Bonanni could recall if schematics bore such notations. (Green Depos. Tr. 59-60, 80, A - 2879-2880, 2900; Bonanni Depos. Tr. 41, A - 2314; Defendant's witnesses testified that Fonar, schematics did not bear secrecy notations. (Treglia Aff. ¶ 11, A - 692; Steckler Aff. ¶ 7, A - 516; Kim Aff. ¶ 15, A -510; Smith Dec. ¶ 9, A 343; Stutman Dec. ¶ 8, A - 463).

3) The Fonar schematics admitted in evidence at the hearings do not bear secrecy or confidentiality stamps. (Defendants' Exs. F and G [filed under seal] and Plaintiff's Exs. 5 - 7)

4) Fonar schematics have been distributed to all Fonar field service engineers since 1985 in unnumbered individual sheets or as unnumbered sets. No records have been maintained as to which field service engineers have received which schematics or sets of schematics. (Green Depos. Tr. 20-23, 63-64, A - 2840-2843, 2883-2884).

5) Fonar field service engineers were not told how to use schematics, or where to use them, nor were they told if there were any restrictions on their use. (Green Depos. Tr. p. 60, A - 2880).

6) Fonar field service engineers were not required to sign out schematics when they

were taken off Fonar's premises (Green Depos. Tr. 63-64, A - 2883-2884).

7) Fonar field service engineers took schematics to their homes. (Green Depos. Tr. 64, A - 2884).

8) Fonar's president, Dr. Damadian, testified that Fonar had no written corporate policy on secrecy and that Fonar did not identify Fonar schematics as trade secrets to its employees or others. (R. Damadian 12/3/91 Hearing Tr. 47, 50-52, 55, A - 1633, 1636-1638, 1641). Mr. Green, head of Fonar's field service, could not recall seeing anything in writing from 1982-1991 concerning the maintenance or use of schematics. (Green Depos. Tr. 64-65, A - 2884-2885).

9) Fonar schematics were left unattended and unsecured at customer sites by Fonar field service engineers. (Stutman Dec. ¶ 16, A - 463). Fonar customers were not told that the schematics were secret or that they were obligated to maintain schematics in secrecy. (Bonanni Tr. 27-28, 128-129, A - 2300-2301, 2401-2402; Hunt Aff. ¶ 7, A - 920, and Ex. A thereto [filed under seal]; Treglia Aff. Ex. 3 [filed under seal].

[page 18 of the brief:]

10) The uncontroverted testimony of defendants' witness, Luigi Treglia, establishes that Fonar schematics left at customer sites were picked up by Deccaid personnel. (Treglia Aff. ¶ 10, 24, A - 692)

11) The uncontroverted affidavit of third party witness, J. Hunt, establishes that his firm, R-Squared, received a set of Fonar schematics in the mail over one and a half years ago. (Hunt Dec. ¶ 7, A - 920)

12) Fonar sold its schematics and maintenance software to the Bronx VA Hospital without secrecy restrictions in 1986. (Defendants' Ex. H, A - 1957)

The overwhelming evidence of record demonstrates that Fonar schematics are not trade secrets.

B. DECCAID'S SERVICE BUSINESS

1. MRI SERVICE

Deccaid Services, Inc. is the largest independent medical imaging equipment service company in the New York metropolitan area. It specializes in the maintenance and repair of diagnostic imaging equipment manufactured by Technicare, Picker and Fonar. (Dikeakos Dec. ¶ 8, A - 924) Deccaid has provided maintenance and repair service for MRI equipment since 1986. (Dikeakos Dec. ¶¶ 7, 12, A - 924, 925)

2. FONAR SERVICE

In late 1988, Montvale Imaging, a medical imaging equipment operator in Montvale New Jersey, asked Deccaid to service its Fonar [. . .]

[end of excerpts of brief]